

OXNARD DRAINAGE DISTRICT NO. 2

Financial Statements for the
Years Ended June 30, 2019 and 2018
And Independent Auditor's Report

Fanning & Karrh

Certified Public Accountants

A Professional Corporation

OXNARD DRAINAGE DISTRICT NO. 2

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors of
Oxnard Drainage District No. 2:

We have audited the accompanying financial statements of Oxnard Drainage District No. 2 (District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oxnard Drainage District No. 2 as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fanning & Karrh

Ventura, California
March 23, 2020

OXNARD DRAINAGE DISTRICT NO. 2
1050 South Kimball Road
Ventura, CA 93004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Oxnard Drainage District's, (the District), financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the District's financial statements and accompanying notes that follow.

OVERVIEW

This discussion and analysis serves as an introduction to the District's basic financial statements. The financial statements reflect the revenues and expenses of the District for two fiscal years, July 1, 2017 – June 30, 2018, and July 1, 2018 – June 30, 2019. The financials include the following statements for each year presented: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Net Position; 3) Statement of Cash Flows; and, 4) Notes to the Financial Statements.

The Statement of Net Position present the District's assets and liabilities, with the difference between the two presented as net position. The balances in the District's net position give the reader an indication of improvement or deterioration of its financial condition over time.

The Statements of Revenues, Expenses, and Changes in Net Position give the reader information on each year presented, and break down the District's operations into meaningful detail. The data in the financial statements is based on revenues earned and expenses incurred of the District. The net of revenues over expenses for each year presented was added to the District's unrestricted net position. The total net position represents the cumulative net result of the District's operations since its inception.

FINANCIAL HIGHLIGHTS

The District's total net position decreased by \$58,893 and \$25,801 (approximately 8% and 3% respectively) for the years ended June 30, 2019 and 2018, respectively.

The District's assets at the end of each year consisted of cash and prepaid expenses. Also, the only liabilities recognized are those payable within sixty days after the District's year end.

The unrestricted-designated net position represent reserves held for future infrastructure improvements, repairs and maintenance anticipated by the District, and is expendable at the discretion of the District's governing body. The District does not hold any restricted funds.

OXNARD DRAINAGE DISTRICT NO. 2
1050 South Kimball Road
Ventura, CA 93004

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The condensed financial information presented herein was derived from the District's financial statements for the fiscal years that ended June 30, 2019 and 2018:

	<u>6/30/2019</u>	<u>6/30/2018</u>
Total assets	<u>\$ 741,785</u>	<u>\$ 791,789</u>
Total liabilities	<u>\$ 20,700</u>	<u>\$ 11,811</u>
Unrestricted net position - undesignated	\$ 221,085	\$ 279,978
Unrestricted net position - designated	<u>500,000</u>	<u>500,000</u>
Total net position	<u>\$ 721,085</u>	<u>\$ 779,978</u>

The District uses a single enterprise fund for accounting and reporting the results of its operations. The District's financial statements are presented on the accrual basis of accounting, which is generally used by private-sector businesses. Current year revenue and expenses are recognized as earned or incurred, regardless of when the cash is received or paid.

The following condensed information reflects the actual revenues and expenses for the years that ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Special district taxes assessed and collected	\$ 158,043	\$ 162,154
Other	-	10,327
Interest income	<u>5,531</u>	<u>3,853</u>
Total revenues for the District	163,574	176,334
District expenses	<u>222,467</u>	<u>202,135</u>
Decrease in District's net position	<u>(58,893)</u>	<u>(25,801)</u>
Unrestricted - undesignated net position, beginning of year	<u>279,978</u>	<u>305,779</u>
Unrestricted - undesignated net position, end of year	<u>\$ 221,085</u>	<u>\$ 279,978</u>

OXNARD DRAINAGE DISTRICT NO. 2
1050 South Kimball Road
Ventura, CA 93004

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The District's budgets for the years ended June 30, 2019 and 2018 were based on balances formulated by the District with the assistance of an engineering firm that specializes in special district assessments. The budgets were approved by the Board of Supervisors of the County of Ventura. There were no budgetary amendments presented to the Board of Supervisors for either year presented.

The following is a summary of actual results in comparison to the budget.

	Fiscal Year Ended 6/30/19		Fiscal Year Ended 6/30/18	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Total Operating Revenues	<u>\$ 158,043</u>	<u>\$ 157,662</u>	<u>\$ 172,481</u>	<u>\$ 157,662</u>
Less Operating Expenses:				
Management Fee	18,304	20,000	20,810	20,000
Repairs and maintenance	37,637	77,500	100,584	72,500
Insurance	5,030	10,000	5,305	10,000
Professional fees	34,503	39,000	62,965	46,000
Electrical	5,160	10,000	8,379	6,500
Engineering and legal costs to ascertain district assessments	4,200	4,200	3,800	4,000
Digital mapping	116,551	-	-	
Miscellaneous	<u>1,082</u>	<u>500</u>	<u>292</u>	<u>1,000</u>
Total	<u>222,467</u>	<u>161,200</u>	<u>202,135</u>	<u>160,000</u>
Net Operating Loss	<u>(64,424)</u>	<u>(3,538)</u>	<u>(29,654)</u>	<u>(2,338)</u>
Non-Operating Revenues:				
Interest income	<u>5,531</u>	<u>3,500</u>	<u>3,853</u>	<u>1,500</u>
Total	<u>5,531</u>	<u>3,500</u>	<u>3,853</u>	<u>1,500</u>
Change in Net Position	<u><u>\$ (58,893)</u></u>	<u><u>\$ (38)</u></u>	<u><u>\$ (25,801)</u></u>	<u><u>\$ (838)</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of how the District manages its financial assets. It is intended for the Board of Supervisors and the Auditor-Controller of the County of Ventura, the California State Controller, and the District's taxpayers. If you have questions about this report or need further information, contact the Oxnard Drainage District's Administrative Team in the care of John C. Orr, Esquire, 1050 South Kimball Road, Ventura, California 93004.

OXNARD DRAINAGE DISTRICT NO. 2
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	<u>NOTES</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash and cash equivalents	2, 3	\$ 737,421	\$ 787,350
Prepaid expenses		<u>4,364</u>	<u>4,439</u>
TOTAL ASSETS		<u>741,785</u>	<u>791,789</u>
LIABILITIES			
Accounts payable		<u>20,700</u>	<u>11,811</u>
TOTAL LIABILITIES		<u>20,700</u>	<u>11,811</u>
NET POSITION			
Unrestricted net position - undesignated		221,085	279,978
Unrestricted net position - designated	5	<u>500,000</u>	<u>500,000</u>
TOTAL NET POSITION		<u>\$ 721,085</u>	<u>\$ 779,978</u>

See accompanying notes to financial statements.

OXNARD DRAINAGE DISTRICT NO. 2
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES -		
Special Assessment property taxes	\$ 158,043	\$ 162,154
Other	<u>-</u>	<u>10,327</u>
TOTAL OPERATING REVENUE	<u>158,043</u>	<u>172,481</u>
OPERATING EXPENSES:		
Management fee	18,304	20,810
Insurance	5,030	5,305
Miscellaneous	1,082	292
Electrical	5,160	8,379
Accounting fees	15,598	16,964
Audit	-	10,219
Legal fees	18,905	35,782
Special assessment fees	4,200	3,800
Digital mapping	116,551	-
Ditch repair	8,100	83,326
Pump repairs	5,977	15,294
Weed spraying	8,851	1,964
Tile line/manhole repair	<u>14,709</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>222,467</u>	<u>202,135</u>
LOSS FROM OPERATIONS	<u>(64,424)</u>	<u>(29,654)</u>
NON-OPERATING REVENUES -		
Interest income	<u>5,531</u>	<u>3,853</u>
CHANGE IN NET POSITION	(58,893)	(25,801)
TOTAL NET POSITION - Beginning of year	<u>779,978</u>	<u>805,779</u>
TOTAL NET POSITION - End of year	<u>\$ 721,085</u>	<u>\$ 779,978</u>

See accompanying notes to financial statements.

OXNARD DRAINAGE DISTRICT NO. 2
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from special assessment taxes	\$ 158,043	\$ 172,481
Cash payments for operating expenses	<u>(213,503)</u>	<u>(190,783)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(55,460)</u>	<u>(18,302)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>5,531</u>	<u>3,853</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,929)	(14,449)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>787,350</u>	<u>801,799</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 737,421</u>	<u>\$ 787,350</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (64,424)	\$ (29,654)
Changes in operating assets and liabilities:		
Accounts receivable	-	10,327
Prepays and other current assets	75	(18)
Accounts payable	<u>8,889</u>	<u>1,043</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (55,460)</u>	<u>\$ (18,302)</u>

See accompanying notes to financial statements.

OXNARD DRAINAGE DISTRICT NO. 2
A COMPONENT UNIT OF THE COUNTY OF VENTURA

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Oxnard Drainage District No. 2, (District) is a special-purpose government fund division of the County of Ventura. The District was formed March 19, 1926 as a land and improvement district under the Drainage District Act of 1903.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. There are no component units included in this report.

Basis of Accounting – The District is accounted for as a proprietary fund in accordance with generally accepted accounting principles as applied to governmental units. Proprietary funds are used to account for operations (a) that are financial and operated in a manner similar to private business enterprises – where the expenses of providing goods or services to the general public are recovered through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, and other purposes. Because the District is accounted for as a proprietary fund, the District uses the economic resources measurement focus and the accrual basis of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. Net position is segregated into investment in capital, restricted and unrestricted. As of June 30, 2019 and 2018, there was no net investment in capital assets or restricted net position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues come from property taxes received from a special assessment levied upon real property parcels in the District.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash, money market funds, time certificates of deposit and highly liquid investments with original maturities of three months or less at the date of acquisition. The District did not hold any securities or equities that would be considered non-cash investments during the years ended June 30, 2019 and 2018.

Tax-exempt Status - As a California Special District and a division of the County of Ventura, the District does not pay federal or state income taxes.

3. DEPOSITS

The District's carrying value of deposits with banks was \$737,420 and \$787,350 at June 30, 2019 and 2018, respectively. The corresponding bank balances were \$737,420 and \$787,349 at June 30, 2019 and 2018, respectively. Of the bank balances, \$711,329 and \$787,349 was covered by Federal deposit insurance. The California Government Code requires all financial institutions to secure a local government agency's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the District. All cash held by financial institutions is, therefore, entirely insured or collateralized.

4. RELATIONSHIP TO THE COUNTY OF VENTURA

The District's revenues are primarily based on an annual special assessment against secured property that is levied under the authority of the County of Ventura (County). The County is responsible for issuing property tax bills to the holders of real property located within the District's boundaries. The County also acts as a collection agent for the District. The County maintains an account in the County Treasury for the District, where it deposits the taxpayers' payments. Once a month, the County issues a warrant to the District for the taxes collected during the preceding month, net of a nominal administration fee charged by the County to the District.

5. DESIGNATED NET ASSETS

The District maintains a cash reserve to provide for improvement, repairs and maintenance on the infrastructure of the drainage system. The reserve is designated by the Board of Directors. The balance of the reserve was \$500,000 at June 30, 2019 and 2018, respectively.

6. TAX ASSESSMENTS

The District's revenues are based on a special assessment levied on landowners according to their respective land holdings as per the records maintained by the District and recorded at the County of Ventura. A firm that specializes in engineering and land surveys is contracted on an annual basis, or as required, to certify that the land holdings on the tax rolls match the actual land mass held by the respective property owners. The assessment is evaluated each year to ascertain the adequacy of the tax revenue expected to the budgeted expenditures for the upcoming fiscal year. The tax is charged per acre of land owned by the property owners. The tax per acre charged in 2019 and 2018 was \$19.

7. STAFFING

The District outsources all of its on-going administrative and operating functions. As such, no payroll is incurred. Contracts are held with all of the major independent contractors, including the companies responsible for the District's daily operations management, legal counsel, and accounting services. All of the outsourced work is contracted with companies that qualify as independent contractors under state and federal laws governing the use of outsourced labor.

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 23, 2020, the date which the financial statements were available to be issued.
